

Message Text

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ACTION EA-06

INFO OCT-01 ISO-00 EB-03 SS-14 INR-05 L-01 OES-02 SP-02

PRS-01 PM-03 /038 W

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R 130515Z MAR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1300

C O N F I D E N T I A L MANILA 3182

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E.O. 11652: GDS

TAGS: ENRG, RP

SUBJECT: MOBILE OIL -- THE LINES HARDEN

REF: MANILA 469

1. RECENT TALKS OF ECON/COMMERCIAL COUNSELOR WITH INDUSTRY SEC PATERNO INDICATE THAT GOP IS NOW LESS AMENABLE TO COMPROMISE THAN PATERNO EARLIER THOUGHT WAS THE CASE. MOST RECENT PRECIPITANT APPEARS TO HAVE BEEN MOBILE LETTER TO PNOC REQUESTING THAT PNOC TAKE PART IN FORMATION OF A 60-40 LAND COMPANY TO TAKE TITLE TO LANDS UNDER AND ADJACENT TO BATAAN REFINERY (BRC). THE PNOC REPLY, BELIEVED WRITTEN BY SOLICITOR GENERAL MENDOZA, STATES THAT GOP PREFERS TO MAKE BRC 60-40 BY ACQUIRING MOBIL'S THREE PERCENT SHARE ABOVE 40 PERCENT. MENDOZA'S REPLY ARTFULLY SUGGESTS THAT THE MOBILE PROPOSAL WOULD RAISE SUCH ISSUES AS WHO OWNS THE ASSETS ON THE LAND, AND WHAT ARE THE TAX LIABILITIES? THESE ARE NOT RAISED BY FILIPINIZING THE WHOLE FIRM.

2. PATERNO NOW STATES THAT GOP WILL QUOTE INSIST UNQUOTE ON 60-40 BY MOBILE SALE OF THE THREE PERCENT. ON OTHER ISSUES RAISED REFTEL, WHILE HE SAYS THERE IS LITTLE PROSPECT THAT

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MOBILE CAN RETAIN ESSENTIALS OF SERVICE AND TECHNICAL AGREE-

MENT OR NEGOTIATE A NEAR SUCCESSOR, PATERNO SAYS MOBIL'S MINORITY SHAREHOLDER RIGHTS WILL BE FULLY PROTECTED, AND HE THINKS AN AGREEABLE SERVICE AND TECHNICAL AGREEMENT MIGHT BE REACHED IN ARBITRATIONS IF THE RIGHT PANEL IS PICKED. ON ACCESS TO SUPPLY, PATERNO SAYS MOBILE SHARE OF OUTPUT WILL NOT BE SHAVED, AND ANY EXCESS OVER PNOC NEEDS WILL BE OFFERED FIRST TO MOBILE.

3. COMMENT: THE EFFECT OF PATERNO'S STATEMENTS IS THAT GOP HAS MOVED CLOSE TO TAKE IT OR LEAVE IT 60-40, AND IS NOW UNWILLING TO TRY TO ACCOMMODATE MOBIL'S INTERESTS ON THAT ISSUE. IN THE EMBASSY'S VIEW THERE WAS NEVER MUCH ROOM TO MANEUVER ON THE EQUITY ISSUE, AND THE PERSONALITIES OF THE NEGOTIATORS SEEM TO HAVE ELIMINATED WHAT THERE WAS. EVEN SO, MOBILE DOES NOT APPEAR SIGNIFICANTLY WORSE OFF IN PROSPECT THAN WE EARLIER SUGGESTED, IF ONE DISCOUNTS ANY PENALTY FOR HAVING FAILED TO REACH THE INEVITABLE BY A MORE AMIABLE ROUTE.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, DISPUTES
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA03182
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750087-0756
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750355/aaaabwwj.tel
Line Count: 80
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 75 MANILA 469
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by ElyME>; APPROVED <19 NOV 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOBILE OIL -- THE LINES HARDEN
TAGS: ENRG, RP, US, MOBILE OIL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006